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OCT 18 1996

Federal Communications Commission
Office of Secretary

October 18, 1996

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W. - Room 222
Washington, D.C. 20554

Re: Notice of Ex Parte Presentation,
In the Matter of the Universal Service
Joint Board
CC Docket No. 96-45

Dear Mr. Caton:

On October 18, 1996, NECA's President Bruce Baldwin wrote to the Chairman of the FCC Reed Hundt to discuss NECA governance issues. The letter is attached.

Please acknowledge receipt hereof by affixing a notation on the duplicate copy of this letter furnished herewith for such purposes and remitting same to bearer.

Sincerely,

Robert Lloyd

cc: Commissioner James Quello
Commissioner Susan Ness
Commissioner Rachelle Chong
Bureau Chief Regina Keeney

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Bruce W. Baldwin
President

October 18, 1996

Chairman Reed Hundt
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

Re: CC Docket No. 96-45 on Universal Service

Dear Chairman Hundt:

As the Joint Board and Commission work to design new universal service programs that will carry out the mandate of the Telecommunications Act of 1996, the National Exchange Carrier Association, Inc. (NECA) stands ready to play a key role in their successful implementation. I am writing to you to propose interim changes in NECA's governance that I believe will broaden support for NECA's appointment as interim administrator of the Universal Service Fund.

In its Notice of Proposed Rulemaking (NPRM) in CC Docket No. 96-45 the Commission specified selection criteria for a non-governmental fund administrator. These include the ability to administer the fund in the most efficient, fair and competitively neutral manner, large-scale information processing and data base capabilities and the ability to ensure that eligibility criteria are applied consistently and accurately as to both recipients and contributors. NECA's comments on the NPRM offered NECA's services to administer the new programs, citing NECA's experience as administrator of the Commission's access charge plan, the current Universal Service Fund and Lifeline Assistance programs and the interstate Telecommunications Relay System (TRS) shared fund and in the subsidiary functions of data gathering, processing, analysis, validation and review, rules interpretation and compliance and financial management. Many commenters acknowledged these qualifications and supported NECA as the logical choice to administer the fund. Others, however, while not disputing NECA's capabilities, viewed NECA's affiliation with incumbent local exchange carriers (LECs) as an obstacle to NECA's selection.

Chairman Reed Hundt

October 18, 1996

Page 2

NECA recently has met with a number of commenters that expressed this concern to determine what changes were needed to assure them that NECA would administer the fund in a competitively neutral manner. These groups shared the view that NECA's board of directors would have to be opened to representatives of other universal service program participants in addition to incumbent LECs. They understand that Commission rules prescribe the composition of NECA's board and that a notice and comment rulemaking is required to change the governance structure. Nevertheless, several believed it was important that NECA propose an interim change to its board that would take effect sooner, consistent with the Commission's timetable for implementing the new program.

Section 69.602 of the Commission's rules provides for a fifteen-member board, one third of which is drawn from outside the telephone industry. NECA proposes as an interim measure that six directors be added to the existing board, from groups that will have a substantial stake in the new universal service programs. Three directors could represent carrier participants such as interexchange carriers, wireless carriers and competitive LECs and three could represent non-carrier beneficiaries of the fund and others such as schools, libraries, rural healthcare providers and the interests of states.

The addition of six directors to the NECA board is a reasonable step for an interim period, allowing broad representation on universal service fund matters while preserving the existing board to direct NECA's other administrative functions. The new board members would participate in directing NECA's administration of the universal service fund, as well as board oversight of auditing, finance and general corporate matters. Access tariffs and pool revenue distribution would be the responsibility of the access charge committees, which would consist of current directors. Procedurally, the addition of new directors would require Commission action either waiving the current rule 69.602 or modifying that rule by interim prescription. Following an interim period set by the Commission, the FCC could initiate a rulemaking, as it has done in the past, to adjust the composition of the NECA board to more appropriately represent the relative interests of participants in the programs NECA administers.

NECA believes that the proposed modification of its board of directors would provide the necessary assurance of competitively neutral administration to all constituent groups. NECA is a non-profit organization dedicated to sound administration of the Commission's public policy programs. NECA's analytic and operational resources can be a valuable aid in the design and testing of these important programs. Appointing NECA as administrator of the new universal service fund on an interim basis will help to

Chairman Reed Hundt

October 18, 1996

Page 3

assure successful implementation in accordance with legislative timetables and goals. The Commission adopted this approach to launch the interstate TRS shared fund in 1993. Following an interim appointment and consideration of alternatives in a public proceeding, the Commission reappointed NECA for an additional term based on an evaluation of NECA's performance and unanimous public support.

I would be happy to discuss this proposal further with you, other Joint Board members and your respective staffs.

Sincerely,

A handwritten signature in black ink that reads "Bruce W. Baldwin". The signature is written in a cursive, flowing style.

Bruce W. Baldwin

cc: FCC Commissioner Susan Ness
FCC Commissioner Rachelle Chong
FCC Commissioner James Quello
State Members, Federal-State Joint Board CC Docket 96-45
Chief of the Common Carrier Bureau, Regina Keeney